

# Annexure A

## OVERSIGHT COMMITTEE REPORT

### 1. INTRODUCTION

In terms of the Municipal Finance Management Act and the Municipal Systems Act, a municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- Provide a record of the activities of the municipality;
- Provide a report on performance in service delivery and against the budget;
- Provide information that supports the revenue and expenditure decisions made; and
- Promote accountability to the local community for decisions made.

The 2009/2010 Annual Report was tabled in Council on 27 January 2011.

The final step in the reporting process is for the Council to consider the Annual Report in the light of the findings contained in an Oversight Report. The Oversight Report must be compiled by Non-Executive Councillors and members of the community as it represents a separation of powers between the Council and the Administration and is aimed at enhancing accountability and good governance.

### 2. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

Section 129 (1) of the Municipal Finance Management Act (Act No. 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council, adopt an oversight Report containing the Council's comments on the Annual Report, which must include a statement whether the Council has:

- Approved the Annual Report with or without reservations;
- Rejected the Annual Report; or
- Has referred the Annual Report back for revision of those components that can be resolved.

### 3. COMMENTS ON THE ANNUAL REPORT

The requirements for the Annual Report as set out in the various Acts, together with an indication of the level of compliance, are set out below.

#### CHALLENGES

It should be noted that the municipality was faced with the following challenges:

- (i) The new oversight committee had not received training on the MFMA as it referred to the compilation of an oversight report.

#### 3.1 Municipal Finance Management Act

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
(a) The annual financial statements are Compliant with the generally accepted Municipal accounting practices (GAMAP).	The annual financial statements were compiled following GAMAP format.
(b) The Auditor-General's Report is to be included in the Annual Report.	The report of the Auditor General is included in the Report.
(c) Explanations to be included that are necessary to clarify issues in connection with the financial statements.	The explanations form part of the financial statements.
(d) An assessment on arrears on Municipal taxes and service charges to be included.	An assessment has been included in the financial statements that conformed to the standards laid down by GRAP.
(e) Corrective action taken or to be taken in response to issues raised in the audit reports.	An action plan for taking corrective action has been compiled and is included in the Annual Report.

### 3.2 Division of Revenue Act

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
(a) The Annual Report to disclose: <ul style="list-style-type: none"> <li>• Details of conditional grants received from national and provincial spheres;</li> <li>• Details of conditional grants received from other municipalities; and</li> <li>• Details of grants made to any organs of state.</li> </ul>	This information is contained in the financial statements.
(b) The extent to which the conditions of the grants were met.	A disclosure statement in terms of s125 of the MFMA is included under 29 Notes to the financial statements.
(c) Information relating to outstanding debtors and creditors of the Municipality.	This information forms part of the financial statements compiled in the IMFO format.
(d) Information relating to the benefits paid to Councillors, Managers and officials.	Included in the financial statements.

### 3.3 Municipal Systems Act – Municipal Performance

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
(a) Has the Performance Report been included in the Annual Report?	Yes – it form part of the annual report.
(b) Have all the performance targets been included in the report?	The same as (a) above
(c) Does the performance evaluation in the Annual Report compare actual with panned performance?	The same as (a) above
(d) In terms of key functions or services, how has each performed?	An explanation of how services have been carried out is contained under performance information of the Annual Report.
(e) To what extent have targets been achieved?	Comparable performance targets are contained under the section of performance and to what extent were achieved. However to a certain degree lack of financial resources hampered speed progress.
(f) Is the Council and the community satisfied with the performance?	Communities are concerned about the slow progress being made with the provision of basic services amongst others water, sanitation, electricity and roads. Councillors share these concerns. However, there is a close working relationship between the Municipality and the District to reduce the backlogs in terms of these services.
(g) What actions have been taken and planned to improve performance?	Gaps have been cleared identified and corrective measures have been put in place to address them.
(h) Is there a correlation with the targets set for the Municipality and the targets set for the Municipal Manager and Heads of Department?	Yes - that can be seen on SDBIP's.

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
(i) Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	No- But the Municipality intends to do it in the following year.
(j) Taking into account the Audit Report and opinion and the views of the Audit Committee, is performance considered to be efficient and effective?	The Municipality received unqualified Audit Report, however there matters raised which will be addressed.
(k) To what extent have actions planned for the previous year been carried over to the financial year reported on?	To a higher degree except minor service delivery projects which had to be carried over to the next year.

### 3.4 Other Findings

- (a) Service delivery backlogs need to be established, in liaison with the District, so that realistic targets that are commensurate with resources can be set. In this way a programme can be developed to eradicate backlogs and meet the 2014 national service delivery targets.
- (b) Plans are in place to address all the compliance issues as well as the material issues contained in the Auditor General's Report.
- (c) The municipality is also being assisted to ensure IDP Deliverables/outputs are properly planned and specific, measurable, attainable, realistic and time-related (SMART). This will facilitate the performance measurement and reporting process in future.

### 4. RECOMMENDATIONS

In view of the above, the Oversight Committee recommends that:

After it has fully considered the Annual Report of the Municipality and after having taken notice of the efforts made in having the required sections of the Annual Report and having accepted the proposed amendments, recommends the Council to approve the Annual Report without reservations.



**CHAIRMAN OF THE OVERSIGHT COMMITTEE**  
**MS S MDLETSE**